

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 41

January 29, 2013

**SUMMARY OF BILL:** Effective January 1, 2014, requires all advertisements for selling lottery tickets, including, but not limited to, print media, outdoor advertisements, electronic media and point-of-purchase advertisements, to include the following warning: *Warning: You will probably lose money playing the lottery.* Makes the failure to do so a violation of the Consumer Protection Act.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue –**

**Exceeds \$281,000/FY14-15/Lottery for Education Account**

**Exceeds \$100,000/FY15-16 and Subsequent Year/Lottery for Education Account**

**Assumptions:**

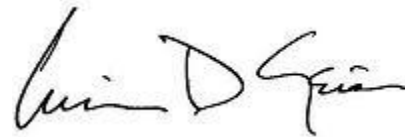
- According to the Tennessee Education Lottery Corporation (TELC), all TELC advertisements, except radio advertisements, include a “Play Responsibly” message.
- Promotion of the lottery through advertisements has a positive impact on ticket sales; thus, it is assumed that any advertisement warning the public about the probability of losing money by playing the lottery will have a negative impact on ticket sales.
- The extent of any decrease in ticket sales is unknown, but reasonably estimated to exceed \$100,000 per year. Given the proposed effective date of January 1, 2014, the first-year (FY14-15) decrease in ticket sales is estimated to exceed \$50,000.
- According to the TELC, the corporation’s advertising budget for FY12-13 is approximately \$11,000,000. This number is assumed to remain constant into perpetuity.
- According to the TELC, expenditures for radio and television advertising make up approximately 65 percent of total advertising expenditures. Therefore, approximately \$7,150,000 (\$11,000,000 x 65.0%) is expended each year on radio and television advertisements; thus, approximately 35 percent, or \$3,850,000 (\$11,000,000 x 35.0%), is expended each year on print media advertising.
- Any additional cost to include the proposed warning into radio and television advertisements is estimated to be not significant because such inclusion could be accomplished in the normal course of business before the proposed effective date.
- Some print media advertisements are updated on a monthly basis such as those associated with the launch of new instant games. It is assumed the inclusion of the

proposed warning into these advertisements could be accomplished in the normal course of business before the proposed effective date.

- Updates to print media advertising for drawing-style games, such as Cash 3, Cash 4, Powerball, and Mega Millions, occur much less frequently. As a result, many of these advertisements will have to be replaced as a result of the bill.
- Instant game sales represented 80 percent of total gross sales in FY12-13; therefore, it is assumed that 80 percent of total print media advertising expenditures, or \$3,080,000 (\$3,850,000 x 80.0%), is for the promotion of instant games.
- Drawing-style game sales represented the remaining 20 percent of total gross sales in FY12-13; therefore, it is assumed that 20 percent of total print media advertising expenditures, or \$770,000 (\$3,850,000 x 20.0%), is for the promotion of drawing-style games.
- The proposed warning will be added to approximately 70 percent of all print media advertising for drawing-style games without any increase in expenditures to the TELC because it is assumed that updates to such print media advertising would occur in the normal course of business prior to the proposed effective date. Therefore, approximately 30 percent of all print media advertising for drawing-style games will have to be replaced as a result of this bill. The one-time increase in expenditures for the TELC in FY14-15 is estimated to be \$231,000 (\$770,000 x 30.0%).
- The total first-year (FY14-15) decrease in net lottery proceeds transferred to the Lottery for Education Account is estimated to exceed \$281,000 (\$50,000 decrease in ticket sales + \$231,000 one-time increase in expenditures). The recurring decrease in net lottery proceeds for FY15-16 and subsequent years is estimated to exceed \$100,000 per year (reflecting the recurring reduction in ticket sales).
- There will not be a sufficient number of prosecutions for state or local government to experience any significant increase in revenue or expenditures.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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